

Auditing Procedures Report

Instructions and MuniCodes

*Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Glen Arbor Township	County* LEELANAU	Type* TOWNSHIP	MuniCode* 45-1-060
Opinion Date-Use Calendar* Sep 30, 2008	Audit Submitted-Use Calendar* Sep 30, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☐ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ ☐ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 443,129.00
General Fund Expenditure:	<input type="checkbox"/> \$ 380,832.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 746,621.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 2,727,102.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Stephen	Last Name* Peacock	Ten Digit License Number* 1101021255		
CPA Street Address* 107 South Cass, Suite A	City* Traverse City	State* MI	Zip Code* 49684	Telephone* +1 (231) 946-3230
CPA Firm Name* Rehmann Robson	Unit's Street Address* 6394 W. Western Ave.	Unit's City* Glen Arbor	Unit's Zip* 49636	

GLEN ARBOR TOWNSHIP
LEELANAU COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008



REHMANN ROBSON

Certified Public Accountants

GLEN ARBOR TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

September 30, 2008

Members of the Township Board
Glen Arbor Township
Leelanau County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Arbor Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Glen Arbor Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Glen Arbor Township as of March 31, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glen Arbor Township's basic financial statements. The individual financial statements and schedules are presented for purposes of additional analysis and are not a required part of the Township's basic financial statements. The individual financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis

As management of Glen Arbor Township, we offer readers of Glen Arbor Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The General Fund operated below budget due to higher interest income than expected and expenditures below budget
- The Emergency Services Department functioned below budget due to vacancies in the planned staffing of the Fire Service through the North Flight contract.
- Interest income was significantly higher than budget in all funds due to investment strategy utilized by the Township Treasurer
- Funds were set aside to assist with future community improvement projects and to fund future Fire Department capital expenditures

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Glen Arbor Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Glen Arbor Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government administration, public works including street maintenance, public safety and recreation and cultural activities.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following three funds: general, emergency services, and debt service.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the Township's own programs.

The tax collection fund statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-26 of this report.

Combining and individual fund statements and schedules can be found on pages 27-32 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$3,620,138 at the close of the most recent fiscal year.

A significant portion of the Township's net assets reflects unrestricted net assets which are available for future operation while another portion of net assets is invested in capital assets (e.g., land, buildings, vehicles and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Glen Arbor Township's Net Assets

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,584,762	\$ 2,287,404
Capital assets, net	<u>3,947,226</u>	<u>4,033,332</u>
Total assets	<u>6,531,988</u>	<u>6,320,736</u>
Long-term liabilities outstanding	2,727,102	2,846,376
Other liabilities	<u>184,748</u>	<u>115,142</u>
Total liabilities	<u>2,911,850</u>	<u>2,961,518</u>
Net assets:		
Invested in capital assets, net of related debt	1,220,124	1,186,956
Restricted	170,757	179,502
Unrestricted	<u>2,229,257</u>	<u>1,992,760</u>
Total net assets	<u>\$ 3,620,138</u>	<u>\$ 3,359,218</u>

Net assets of the Township increased by \$260,920 primarily due to increases in capital assets, performance below budget and the planned funding of future community improvements through growth in both the Restricted and Unrestricted funds.

Glen Arbor Township's Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 309,361	\$ 276,255
Operating grants and contributions	<u>15,628</u>	<u>15,288</u>
Total program revenue	<u>324,989</u>	<u>291,543</u>
General revenue:		
Property taxes	1,313,904	1,309,625
Contributions	2,305	1,973
State shared revenues	53,879	49,588
Interest earnings	98,993	48,282
Capital contributions	-	375,000
Other	<u>1,254</u>	<u>37,449</u>
Total general revenue	<u>1,470,335</u>	<u>1,821,917</u>
Total revenue	<u>1,795,324</u>	<u>2,113,460</u>
Expenses		
General government	362,237	266,191
Public safety	1,062,834	743,927
Public works	24,914	22,531
Culture and recreation	13,002	16,695
Community and economic development	21,120	18,006
Interest on long-term debt	<u>113,753</u>	<u>111,918</u>
Total expenses	<u>1,534,404</u>	<u>1,179,268</u>
Increase in net assets	260,920	934,192
Net assets – beginning of year	<u>3,359,218</u>	<u>2,425,026</u>
Net assets – end of year	<u>\$ 3,620,138</u>	<u>\$ 3,359,218</u>

Governmental activities

During the year the Township invested \$1,062,834 or 69% of governmental activities expenses in public safety. General government, which includes general Township operations, was \$362,237 or 24% of governmental activities expenses while public works, culture and recreation, community and economic development, and interest on long-term debt made up the remaining 11% of governmental activities expenses.

Revenues increased mainly due to the increase in taxable value of property, which led to an increase in property taxes.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,448,050, an increase of \$230,706 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$735,121.

The fund balance of the Township's general fund increased by \$62,297 during the current fiscal year.

The Board has established an informal policy of maintaining an ending fund balance to offset the risks associated with possible changes in taxable property values, the uncertainty of State Revenue Sharing, and to fund community improvement projects over time. Prudent control of expenditures along with the planned designation of funds to support community improvement projects, such as road paving projects carried out with the Road Commission, the future need to fund dredging projects involving Township lakes, Park Commission improvements and the anticipated Public Restroom project which has yet to be completed.

The emergency services and bond debt service funds have ending fund balances of \$1,308,436 and \$224,584, respectively.

The emergency services and bond debt service funds are also managed to benefit the community on both the short and long term. While current and future operation of the Fire Department is jointly funded by contract between Glen Arbor and Empire Townships, the contract termination provisions allow Empire to withdraw from the contract with six (6) months notice. In the event of contract termination, reserve funds will be available to assist in funding of operations post termination. Where fund balances have appeared to be excessive, the Board has reduced those excesses by applying the funds to prospective budgets, thereby reducing related millage requirements.

The Department's 2007-08 Operating performance was below budget due to the existence of staffing vacancies within the Fire Department and prudent expenditure control throughout the year. Procedurally, budgeting is initiated in the month of August and completed in September of the year preceding the Budgetary period starting the following April. Consequently, projections pertaining to inflation, fuel, utilities and other operational expenses are difficult to anticipate eighteen months in advance. Variances in the Public Safety Building activity include Insurance costs over budget that are offset by EMS Insurance costs that are under budget.

The Township also annually sets aside funds to pay for future capital equipment needs of the Department. The intent is to enable future acquisitions to occur without the need to entire into

additional debt obligations. Funds remaining after completion of annual expenditure plans are designated for future capital needs.

The bond debt service fund includes unused construction funds designated for debt service prepayment when allowed. These funds remain in the fund balance accruing interest to help retire the bonds in 2013.

General Fund Budgetary Highlights

- Property tax revenues and interest income were higher than budget due to increased property values and interest income generated by fund investment strategies.
- Variation between original and amended budget as well as amended budget and final expenditures were relatively insignificant for all other line items.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$3,947,226 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Significant capital purchases during the year consisted primarily of infrastructure improvements and fire equipment.

Glen Arbor Township's Capital Assets (net of depreciation)

	<u>2008</u>	<u>2007</u>
Land	\$ 453,958	\$ 453,958
Construction in progress	3,642	-
Land improvements	42,270	24,065
Buildings and improvements	1,326,607	1,380,848
Infrastructure	93,528	100,980
Furniture and equipment	346,694	285,325
Vehicles	<u>1,680,527</u>	<u>1,788,156</u>
Total	<u>\$ 3,947,226</u>	<u>\$ 4,033,332</u>

Additional information on the Township capital assets can be found in Note 4 on pages 23 and 24 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$2,727,102 as follows:

Glen Arbor Township's Long-term Debt

	<u>2008</u>	<u>2007</u>
Bonds	\$ 1,615,000	\$ 1,660,000
Capital lease – fire truck #2	185,528	205,180
Installment purchase agreement – fire trucks	<u>926,574</u>	<u>981,196</u>
Total	<u>\$ 2,727,102</u>	<u>\$ 2,846,376</u>

The Township's total debt decreased by \$119,274 during the current fiscal year.

Additional information on the Township's long-term debt can be found in Note 5 on pages 25 and 26 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2008-09 fiscal year:

- Increased property tax revenue due to increased taxable values.
- Flat state revenue sharing payments due to state budget issues.

Because of unusual market volatility in the U.S. financial and banking industry beginning in December 2007, the township treasurer took steps to restructure the investment of Fund balances by limiting deposits per bank to no more than the FDIC insured limits of \$100,000 per institution and to set up "sweep" accounts for the active checking account which transferred balances into U.S. Treasury instruments backed by the full faith of the Federal Government during non banking hours. This provided protection for all account principal albeit at a reduced interest income return. Ongoing investigation of ways and means to protect principal at maximum return to the township continues.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk, 6394 Western Ave., P.O. Box 276, Glen Arbor, Michigan, 49836.

GLEN ARBOR TOWNSHIP

Statement of Net Assets

March 31, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,347,365
Accounts receivable	12,471
Due from other governments	110,489
Prepaid items	114,437
Capital assets:	
Land	453,958
Construction in progress	3,642
Buildings, equipment and infrastructure, net	<u>3,489,626</u>
Total assets	<u>6,531,988</u>
Liabilities	
Accounts payable	124,251
Accrued liabilities	12,461
Accrued interest payable	48,036
Noncurrent liabilities:	
Due within one year	116,306
Due in more than one year	<u>2,610,796</u>
Total liabilities	<u>2,911,850</u>
Net assets	
Invested in capital assets, net of related debt	1,220,124
Restricted for debt service	170,757
Unrestricted	<u>2,229,257</u>
Total net assets	<u><u>\$ 3,620,138</u></u>

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Statement of Activities

For the Year Ended March 31, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 362,236	\$ 38,378	\$ 6,175	\$ (317,683)
Public safety	1,062,834	263,191	4,704	(794,939)
Public works	24,914	-	-	(24,914)
Culture and recreation	13,002	7,792	-	(5,210)
Community and economic development	21,120	-	4,749	(16,371)
Interest on long-term debt	113,753	-	-	(113,753)
Total governmental activities	<u>\$ 1,534,404</u>	<u>\$ 309,361</u>	<u>\$ 15,628</u>	<u>(1,209,415)</u>
General revenues:				
Property taxes, levied for general operations				276,346
Property taxes, levied for emergency services				933,834
Property taxes, levied for debt service				103,724
Contributions				2,305
State shared revenue				53,879
Interest earnings				98,993
Other				1,254
Total general revenues				<u>1,470,335</u>
Change in net assets				260,920
Net assets, beginning of year				<u>3,359,218</u>
Net assets, end of year				<u><u>\$ 3,620,138</u></u>

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Balance Sheet Governmental Funds

March 31, 2008

	<u>General</u>	<u>Emergency Services</u>	<u>Bond Debt Service</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 732,777	\$ 1,404,061	\$ 210,527	\$ 2,347,365
Accounts receivable	5,757	6,714	-	12,471
Due from other governmental units	29,080	73,143	8,266	110,489
Prepaid expenditures	-	114,437	-	114,437
	<u>-</u>	<u>114,437</u>	<u>-</u>	<u>114,437</u>
Total assets	<u>\$ 767,614</u>	<u>\$ 1,598,355</u>	<u>\$ 218,793</u>	<u>\$ 2,584,762</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 10,630	\$ 113,621	\$ -	\$ 124,251
Accrued liabilities	10,363	2,098	-	12,461
	<u>10,363</u>	<u>2,098</u>	<u>-</u>	<u>12,461</u>
Total liabilities	<u>20,993</u>	<u>115,719</u>	<u>-</u>	<u>136,712</u>
Fund balances				
Reserved for prepaid items	-	114,437	-	114,437
Unreserved, undesignated	735,121	1,088,244	218,793	2,042,158
Designated for capital equipment	-	279,955	-	279,955
Designated for roads	10,000	-	-	10,000
Designated for parks	1,500	-	-	1,500
	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total fund balances	<u>746,621</u>	<u>1,482,636</u>	<u>218,793</u>	<u>2,448,050</u>
Total liabilities and fund balances	<u>\$ 767,614</u>	<u>\$ 1,598,355</u>	<u>\$ 218,793</u>	<u>\$ 2,584,762</u>

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

March 31, 2008

Fund balances - total governmental funds	\$ 2,448,050
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net	3,947,226
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long term debt	(2,727,102)
Deduct - accrued interest on long-term debt	<u>(48,036)</u>

Net assets of governmental activities	<u><u>\$ 3,620,138</u></u>
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The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended March 31, 2008

	<u>General</u>	<u>Emergency Services</u>	<u>Bond Debt Service</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 276,346	\$ 933,834	\$ 103,724	\$ 1,313,904
Licenses and permits	4,950	-	-	4,950
State revenue	64,803	-	-	64,803
Charges for services	41,265	265,966	-	307,231
Interest	52,251	40,621	6,121	98,993
Contributions	2,305	-	-	2,305
Miscellaneous	1,209	-	-	1,209
	<u>443,129</u>	<u>1,240,421</u>	<u>109,845</u>	<u>1,793,395</u>
Expenditures				
Current:				
Legislative	48,526	-	-	48,526
General government	218,873	-	-	218,873
Public safety	-	822,359	-	822,359
Public works	17,462	-	-	17,462
Recreation and culture	8,928	-	-	8,928
Community and economic development	21,120	-	-	21,120
Other expenditures	8,977	-	-	8,977
Debt service:				
Principal	-	74,274	45,000	119,274
Interest	-	40,163	70,636	110,799
Capital outlay	56,946	129,425	-	186,371
	<u>380,832</u>	<u>1,066,221</u>	<u>115,636</u>	<u>1,562,689</u>
Total expenditures	<u>380,832</u>	<u>1,066,221</u>	<u>115,636</u>	<u>1,562,689</u>
Net change in fund balances	62,297	174,200	(5,791)	230,706
Fund balances, beginning of year	<u>684,324</u>	<u>1,308,436</u>	<u>224,584</u>	<u>2,217,344</u>
Fund balances, end of year	<u><u>\$ 746,621</u></u>	<u><u>\$ 1,482,636</u></u>	<u><u>\$ 218,793</u></u>	<u><u>\$ 2,448,050</u></u>

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2008

Net change in fund balances - total governmental funds	\$ 230,706
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	159,276
Deduct - depreciation expense	(243,705)
Deduct - net disposal on capital assets	(1,677)

Repayment of principal on long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - decrease in accrued interest on notes payable	(2,954)
Add - principal payments on long-term liabilities	119,274

Change in net assets of governmental activities	<u>\$ 260,920</u>
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The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund

For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 273,200	\$ 273,200	\$ 276,346	\$ 3,146
Licenses and permits	3,550	3,550	4,950	1,400
State revenue	64,700	64,700	64,803	103
Charges for services	28,525	28,525	41,265	12,740
Interest	20,000	20,000	52,251	32,251
Contributions	3,500	3,500	2,305	(1,195)
Miscellaneous	-	-	1,209	1,209
Total revenues	393,475	393,475	443,129	49,654
Expenditures				
Current:				
Legislative	67,636	69,836	48,526	21,310
General government	210,999	226,624	218,873	7,751
Public works	31,150	31,150	17,462	13,688
Recreation and culture	14,850	14,850	8,928	5,922
Community and economic development	27,030	27,030	21,120	5,910
Other expenditures	7,400	7,400	8,977	(1,577)
Capital outlay	97,500	97,500	56,946	40,554
Total expenditures	456,565	474,390	380,832	93,558
Net changes in fund balance	(63,090)	(80,915)	62,297	143,212
Fund balance, beginning of year	684,324	684,324	684,324	-
Fund balance, end of year	\$ 621,234	\$ 603,409	\$ 746,621	\$ 143,212

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Emergency Services Fund

For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 750,638	\$ 941,610	\$ 933,834	\$ (7,776)
Charges for services	214,000	214,000	265,966	51,966
Interest	6,000	6,000	40,621	34,621
Miscellaneous	22,000	22,000	-	(22,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	992,638	1,183,610	1,240,421	56,811
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current:				
Public safety:				
Fire	373,825	373,825	307,713	66,112
Public safety building	43,170	40,670	44,221	(3,551)
EMS	533,600	533,600	446,499	87,101
Other	22,000	22,000	23,926	(1,926)
Debt service:				
Principal	87,788	75,000	74,274	726
Interest	-	40,000	40,163	(163)
Capital outlay	137,500	140,000	129,425	10,575
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,197,883	1,225,095	1,066,221	158,874
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balance	(205,245)	(41,485)	174,200	215,685
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	1,308,436	1,308,436	1,308,436	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 1,103,191</u>	<u>\$ 1,266,951</u>	<u>\$ 1,482,636</u>	<u>\$ 215,685</u>

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP

Statement of Fiduciary Assets and Liabilities Tax Collection Agency Fund

March 31, 2008

Assets

Cash and cash equivalents

\$ 25,162

Liabilities

Due to other governmental units

\$ 25,162

The accompanying notes are an integral part of these financial statements.

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Glen Arbor was incorporated as a Township in 1932, under the provisions of Act 279, P.A. 1909 as amended (Home Rule Township Act). The Township operates under a Board-manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, health, culture, recreation and other governmental functions.

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township. There are no entities which have significant operational or financial relationships with the Township which should be included as component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

Governmental Funds

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

Emergency Services Fund – The Emergency Services Fund accounts for the operations of the Township's fire and ambulance services. This fund is primarily funded through a special taxing district within the Glen Arbor Township millage factor.

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Bond Debt Service Fund – The Debt Service Fund accounts for principal and interest payments on the Township’s long-term debt obligations.

Additionally, the Township reports the following fund type.

Tax Collection Agency Fund – The Tax Collection Agency Fund is used to account for assets held by the Township as an agent for individuals, private organizations and/or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Measurement focus refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the correct period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the correct fiscal period. Property taxes are recorded in the year for which they are levied. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget is adopted by activity.

GLEN ARBOR TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

2. The proposed budget is on file for public inspection in the office of the Township clerk for a period of not less than one week prior to adoption.
3. A public hearing regarding the proposed budget is held before the budget is legally adopted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and all special revenue funds.
5. Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed during the year ended March 31, 2008. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Cash and Cash Equivalents

The Township considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Township is authorized by state law and the governing body to invest surplus funds, in the following:

- Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

GLEN ARBOR TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The uncollectible balance is considered to be immaterial at year end.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	30
Land improvements	15
Furniture, equipment and vehicles	5-20
Infrastructure	20

Property Taxes

The Township bills and collects its own property taxes which are levied December 1 and payable February 28. The Township also collects taxes for other governmental units which are payable on July 1 and December 1. Property tax revenues are recognized as revenue in the year in which they are levied.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. For new debt issuances after the implementation of GASB Statement No. 34, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Debt payable is reported net of the applicable premium or discount.

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Vacation, Sick Leave and Other Compensated Absences

Accumulated vacation, sick leave, or other compensation at March 31, 2008 was immaterial.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>(Variance)</u>
<u>General Fund</u>			
General government:			
Building and grounds	\$ 35,030	\$ 37,773	\$ (2,743)
Other expenditures	7,400	8,977	(1,577)
<u>Emergency Services Fund</u>			
Public safety:			
Public safety building	40,670	44,221	(3,551)
Other expenditures	22,000	23,926	(1,926)

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

3. DEPOSITS

The captions on the statement of net assets relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Agency Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,347,365	\$ 25,162	\$ 2,372,527

Cash and cash equivalents consist of deposits in four (4) financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value. Interest is recorded when earned.

Investment and Deposit Risk

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$2,190,255 of the Township's bank balance of \$2,490,255 was exposed to credit risk because it was uninsured and uncollateralized. The Township does not have investment policies beyond what is allowed by state law.

4. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 453,958	\$ -	\$ -	\$ 453,958
Construction in progress	<u>-</u>	<u>3,642</u>	<u>-</u>	<u>3,642</u>
Total capital assets, not being depreciated	<u>453,958</u>	<u>3,642</u>	<u>-</u>	<u>457,600</u>
Capital assets, being depreciated:				
Land improvements	151,566	22,783	-	174,349
Buildings and improvements	1,679,025	-	-	1,679,025
Infrastructure	149,048	-	-	149,048
Furniture and equipment	849,073	132,851	(173,776)	808,148
Vehicles	<u>2,038,093</u>	<u>-</u>	<u>-</u>	<u>2,038,093</u>
Total capital assets, being depreciated	<u>4,866,805</u>	<u>155,634</u>	<u>(173,776)</u>	<u>4,848,663</u>

GLEN ARBOR TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Less accumulated depreciation for:				
Land improvements	\$ 127,501	\$ 4,578	\$ -	\$ 132,079
Buildings and improvements	298,177	54,241	-	352,418
Infrastructure	48,068	7,452	-	55,520
Furniture and equipment	563,748	69,805	(172,099)	808,148
Vehicles	<u>249,937</u>	<u>107,629</u>	<u>-</u>	<u>357,566</u>
Total accumulated depreciation	<u>1,287,431</u>	<u>243,705</u>	<u>(172,099)</u>	<u>1,359,037</u>
Net capital assets, being depreciated	<u>3,579,374</u>	<u>(88,071)</u>	<u>(1,677)</u>	<u>3,489,626</u>
Governmental activities capital assets, net	<u>\$ 4,033,332</u>	<u>\$ (84,429)</u>	<u>\$ (1,677)</u>	<u>\$ 3,947,226</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 28,914
Public safety	203,265
Public works	7,452
Culture and recreation	<u>4,074</u>

**Total depreciation expense
for governmental activities \$ 243,705**

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

5. LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>	<u>Due Within One Year</u>
Bonds					
2002 general obligation fire station bonds, principal due annually on May 1 through 2027 with interest payable biannually at 3.00% to 4.65%.	<u>\$1,660,000</u>	<u>\$ -</u>	<u>\$(45,000)</u>	<u>\$1,615,000</u>	<u>\$ 45,000</u>
Other debt					
Installment purchase agreement for fire trucks, secured by the assets, due in payments of \$87,255, including interest at 3.92%, through April 2021.	<u>981,196</u>	<u>-</u>	<u>(54,622)</u>	<u>926,574</u>	<u>50,933</u>
Installment purchase agreement for fire truck, secured by the asset itself, due in payments of \$27,182, including interest at 3.67%, through April 2015.	<u>205,180</u>	<u>-</u>	<u>(19,652)</u>	<u>185,528</u>	<u>20,373</u>
Total other debt	<u>1,186,376</u>	<u>-</u>	<u>(74,274)</u>	<u>1,112,102</u>	<u>71,306</u>
Total long-term debt	<u>\$2,846,376</u>	<u>\$ -</u>	<u>\$(119,274)</u>	<u>\$2,727,102</u>	<u>\$116,306</u>

The annual requirements to amortize bonds payable as of March 31, 2008 are as follows:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$45,000	\$ 68,980
2010	50,000	67,405
2011	50,000	65,687
2012	55,000	63,815
2013	60,000	61,730
2014-2018	340,000	270,741
2019-2023	445,000	184,825
2024-2028	<u>570,000</u>	<u>68,683</u>
	<u>\$1,615,000</u>	<u>\$ 851,866</u>

GLEN ARBOR TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

The annual requirements to amortize all other debt as of March 31, 2008 are as follows:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$71,306	\$ 43,131
2010	74,051	40,386
2011	76,901	37,536
2012	79,860	34,577
2013	82,934	31,502
2014-2018	337,836	92,835
2019-2022	<u>389,320</u>	<u>46,957</u>
	<u>\$1,112,102</u>	<u>\$326,924</u>

6. FUND BALANCE DESIGNATIONS

Periodically, the Township board designates a portion of fund balance for expenditures applicable certain projects or functions. Fund balance designations for the period ended March 31, 2008 are shown below.

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
General Fund				
Roads	\$ 10,000	\$ -	\$ -	\$ 10,000
Parks	750	750	-	1,500
Emergency Services				
Capital Equipment	153,300	126,655	-	279,955

7. SUBSEQUENT EVENT

The Township expanded its contract with Empire Township to include fire services within Empire Township effective July 1, 2008.

* * * * *

GLEN ARBOR TOWNSHIP

Schedule of Detailed Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund

For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes:				
Current property taxes	\$ 168,600	\$ 168,600	\$ 166,878	\$ (1,722)
Interest and penalties on taxes	600	600	1,043	443
Administration fees	104,000	104,000	108,425	4,425
Total taxes	<u>273,200</u>	<u>273,200</u>	<u>276,346</u>	<u>3,146</u>
Licenses and permits:				
Land division fees	1,000	1,000	1,745	745
Zoning fees	1,050	1,050	430	(620)
Land use permits	1,500	1,500	2,775	1,275
Total licenses and permits	<u>3,550</u>	<u>3,550</u>	<u>4,950</u>	<u>1,400</u>
State revenue:				
State shared revenue	54,000	54,000	53,879	(121)
State education processing fees	6,000	6,000	6,175	175
State ROW	4,700	4,700	4,749	49
Total state revenue	<u>64,700</u>	<u>64,700</u>	<u>64,803</u>	<u>103</u>
Charges for services:				
Photocopies	25	25	18	(7)
Hall usage	3,300	3,300	6,540	3,240
Park usage	2,900	2,900	3,745	845
Cable TV fee	1,800	1,800	3,868	2,068
Tower rental	16,000	16,000	23,047	7,047
Boat ramp fees	4,500	4,500	4,047	(453)
Total charges for services	<u>28,525</u>	<u>28,525</u>	<u>41,265</u>	<u>12,740</u>
Interest revenue	<u>20,000</u>	<u>20,000</u>	<u>52,251</u>	<u>32,251</u>
Contributions	<u>3,500</u>	<u>3,500</u>	<u>2,305</u>	<u>(1,195)</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>1,209</u>
Total revenues	<u>393,475</u>	<u>393,475</u>	<u>443,129</u>	<u>49,654</u>

(Continued)

GLEN ARBOR TOWNSHIP

Schedule of Detailed Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Concluded) General Fund

For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures				
Legislative:				
Township Board	<u>\$ 67,636</u>	<u>\$ 69,836</u>	<u>\$ 48,526</u>	<u>\$ 21,310</u>
General government:				
Supervisor	18,230	18,230	18,178	52
Clerk	39,485	39,485	37,620	1,865
Board of review	1,100	1,100	753	347
Treasurer	44,450	45,975	40,763	5,212
Assessor	70,154	84,254	83,536	718
Elections	2,550	2,550	250	2,300
Building and grounds	<u>35,030</u>	<u>35,030</u>	<u>37,773</u>	<u>(2,743)</u>
Total general government	<u>210,999</u>	<u>226,624</u>	<u>218,873</u>	<u>7,751</u>
Public works:				
Streets and sidewalks	17,400	17,400	10,532	6,868
Boat ramp	13,000	13,000	6,180	6,820
Airport	<u>750</u>	<u>750</u>	<u>750</u>	<u>-</u>
Total public works	<u>31,150</u>	<u>31,150</u>	<u>17,462</u>	<u>13,688</u>
Recreation and culture:				
Parks and recreation	<u>14,850</u>	<u>14,850</u>	<u>8,928</u>	<u>5,922</u>
Community and economic development:				
Zoning and planning	<u>27,030</u>	<u>27,030</u>	<u>21,120</u>	<u>5,910</u>
Other expenditures:				
Payroll taxes	<u>7,400</u>	<u>7,400</u>	<u>8,977</u>	<u>(1,577)</u>
Total other expenditures	<u>7,400</u>	<u>7,400</u>	<u>8,977</u>	<u>(1,577)</u>
Total current expenditures	<u>359,065</u>	<u>376,890</u>	<u>323,886</u>	<u>53,004</u>
Capital outlay	<u>97,500</u>	<u>97,500</u>	<u>56,946</u>	<u>40,554</u>
Total expenditures	<u>456,565</u>	<u>474,390</u>	<u>380,832</u>	<u>93,558</u>
Net changes in fund balance	(63,090)	(80,915)	62,297	143,212
Fund balance, beginning of year	<u>684,324</u>	<u>684,324</u>	<u>684,324</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 621,234</u></u>	<u><u>\$ 603,409</u></u>	<u><u>\$ 746,621</u></u>	<u><u>\$ 143,212</u></u>

(Concluded)

GLEN ARBOR TOWNSHIP

Schedule of Detailed Revenues, Expenditures and Changes in Fund Balance Budget and Actual Emergency Services Fund

For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes:				
Current property taxes	\$ 750,638	\$ 941,610	\$ 922,042	\$ (19,568)
Payment in lieu of taxes	-	-	11,792	11,792
Total taxes	<u>750,638</u>	<u>941,610</u>	<u>933,834</u>	<u>(7,776)</u>
Charges for services:				
Ambulance charges	19,000	19,000	77,960	58,960
Empire rescue contract	<u>195,000</u>	<u>195,000</u>	<u>188,006</u>	<u>(6,994)</u>
Total charges for services	<u>214,000</u>	<u>214,000</u>	<u>265,966</u>	<u>51,966</u>
Interest	<u>6,000</u>	<u>6,000</u>	<u>40,621</u>	<u>34,621</u>
Miscellaneous:				
EMS/Ambulance Charge--Empire	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
Total revenues	<u>992,638</u>	<u>1,183,610</u>	<u>1,240,421</u>	<u>56,811</u>

(Continued)

GLEN ARBOR TOWNSHIP

Schedule of Detailed Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Continued) Emergency Services Fund

For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenditures				
Fire:				
Chief salary	\$ 18,500	\$ 18,500	\$ 18,618	\$ (118)
Officer salary	10,700	10,700	6,558	4,142
Employee wages	30,000	40,000	32,379	7,621
North Flight FF	250,000	240,000	190,352	49,648
Physicals	6,875	6,875	5,700	1,175
Clothing	1,500	1,500	900	600
Training	5,000	5,000	3,544	1,456
Supplies	8,500	8,500	7,492	1,008
Insurance	21,500	21,500	21,820	(320)
Dues and subscriptions	3,500	3,500	2,950	550
Inspections	4,000	4,000	2,128	1,872
Fuel and oil	5,200	5,200	5,749	(549)
Vehicle	4,500	4,500	4,523	(23)
Bank fees	-	-	183	(183)
Emergency occurrences	3,000	3,000	2,174	826
Finance charges	50	50	3	47
Legal	1,000	1,000	2,640	(1,640)
Total fire	373,825	373,825	307,713	66,112
Public safety building:				
Office	5,000	2,500	2,842	(342)
Telephone	5,720	5,720	5,488	232
Cable	700	700	696	4
Insurance	2,000	2,000	4,342	(2,342)
Electricity	5,850	5,850	6,578	(728)
Gas	13,900	13,900	13,840	60
Maintenance	10,000	10,000	10,435	(435)
Total public safety building	43,170	40,670	44,221	(3,551)
EMS:				
Wages	30,000	30,000	18,030	11,970
Medicare	1,200	1,200	1,157	43
Social security	3,000	3,000	4,949	(1,949)
Clothing	2,000	2,000	1,730	270
Training	6,000	7,500	4,550	2,950

(Continued)

GLEN ARBOR TOWNSHIP

Schedule of Detailed Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Concluded) Emergency Services Fund

For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (concluded)				
EMS (concluded):				
Supplies	\$ 12,000	\$ 12,000	\$ 11,638	\$ 362
Insurance	7,000	7,000	4,279	2,721
Dues and subscriptions	1,000	1,000	304	696
Inspections	1,000	1,000	598	402
Fuel and oil	10,400	10,400	5,249	5,151
Vehicle	3,500	3,500	5,666	(2,166)
North Flight EMT	450,000	448,500	380,560	67,940
North Flight billing contract	2,500	2,500	5,291	(2,791)
Collection fees	500	500	754	(254)
Emergency occurrences	3,000	3,000	-	3,000
Miscellaneous	500	500	1,744	(1,244)
	<u>533,600</u>	<u>533,600</u>	<u>446,499</u>	<u>87,101</u>
Total EMS				
	533,600	533,600	446,499	87,101
Other expenditures:				
Other expense	-	-	1,821	(1,821)
Payment to Empire Township	22,000	22,000	22,105	(105)
	<u>22,000</u>	<u>22,000</u>	<u>23,926</u>	<u>(1,926)</u>
Total other expenditures				
	22,000	22,000	23,926	(1,926)
Total current expenditures	<u>972,595</u>	<u>970,095</u>	<u>822,359</u>	<u>147,736</u>
Debt service:				
Principal	87,788	75,000	74,274	726
Interest	-	40,000	40,163	(163)
	<u>87,788</u>	<u>115,000</u>	<u>114,437</u>	<u>563</u>
Total debt service				
	87,788	115,000	114,437	563
Capital outlay	<u>137,500</u>	<u>140,000</u>	<u>129,425</u>	<u>10,575</u>
Total expenditures	<u>1,197,883</u>	<u>1,225,095</u>	<u>1,066,221</u>	<u>158,311</u>
Net changes in fund balance	(205,245)	(41,485)	174,200	215,685
Fund balance, beginning of year	<u>1,308,436</u>	<u>1,308,436</u>	<u>1,308,436</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,103,191</u></u>	<u><u>\$ 1,266,951</u></u>	<u><u>\$ 1,482,636</u></u>	<u><u>\$ 215,685</u></u>

(Concluded)

GLEN ARBOR TOWNSHIP

Statement of Changes in Fiduciary Assets and Liabilities Tax Collection Agency Fund

For the Year Ended March 31, 2008

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Assets				
Cash and cash equivalents	<u>\$ 3,524</u>	<u>\$ 10,275,395</u>	<u>\$ 10,253,757</u>	<u>\$ 25,162</u>
Liabilities				
Due to other governmental units	<u>\$ 3,524</u>	<u>\$ 10,275,395</u>	<u>\$ 10,253,757</u>	<u>\$ 25,162</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 30, 2008

Members of the Township Board
Glen Arbor Township
Leelanau County, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the (the "Township") for the year ended March 31, 2008, and have issued our report thereon dated September 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated March 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the *Township*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters in June 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- 1) Record effect of prior year and accrual of current year state shared revenue
- 2) Record property tax revenue and receivable
- 3) Record expenditures and accounts payable

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

Glen Arbor Township

Comments and Recommendations (Continued)

For the Year Ended March 31, 2008

In planning and performing our audit of the financial statements of the (the “Township”) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Township’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. We believe that the deficiency described below in item 2008-1 constitutes a material weakness.

Material Weaknesses

Finding 2008-1 - Adjustment of year-end trial balance

Criteria: The Township is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Several significant adjustments were necessary to agree key accounts to their proper underlying balances.

Glen Arbor Township

Comments and Recommendations (Continued)

For the Year Ended March 31, 2008

- Cause:** The condition was caused by the Township relying, in part, on its external auditors to assist with proposing certain year end accruals and other adjustments.
- Effect:** As a result of this condition, the Township is not able to produce accurate financial information that would allow those charged with governance to make fully informed financial decisions.
- View of Responsible Officials:** The government has determined that it is in the best interests of the government to outsource the task of recording year end entries to convert the cash basis books to GAAP to its external auditors, and to carefully review and approve the adjusting journal entries proposed by the auditors.

Significant Deficiencies

Finding 2008-2 - Preparation of Financial Statements in Accordance with GAAP

- Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
- Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.
- Cause:** Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that is in their best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Glen Arbor Township

Comments and Recommendations (Continued)

For the Year Ended March 31, 2008

View of Responsible Officials: The government has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Finding 2008-3 - Documentation of Journal Entries/Accounting Software

Criteria: The Township is responsible for maintaining adequate support for manual journal entries made into the accounting system.

Condition: The Township does not prepare or retain supporting documentation for journal entries posted during the year. In addition, the accounting software used by the Township allows entries to be modified after they have been posted without generating any audit trail.

Cause: The condition was caused by the Township lacking policies and procedures requiring supporting documentation to be prepared, approved, and retained for journal entries posted to the system. In addition, certain software features have not been implemented to produce a proper audit trail.

Effect: As a result of this condition, an individual could record a journal entry in the system and subsequently change the details of the transaction without leaving any evidence of the change. While our audit did not specifically identify any such instances, this condition represents a significant shortcoming in the Township's internal controls.

View of Responsible Officials: The Township will start to keep supporting documentation with each journal entry to provide history for why the journal entry was made. In addition, the Township will implement the feature in its accounting software to provide an "audit trail" of any modifications made to postings in the general ledger.

Glen Arbor Township

Comments and Recommendations (Concluded)

For the Year Ended March 31, 2008

Other Matters

Budgetary process

The Township did not formally adopt the budget for the March 31, 2009 fiscal year until April 15, 2008. However the Township is required by the Uniform Accounting and Budgeting Act to adopt a budget for the general and all special revenue funds prior to the commencement of the Township's fiscal year.

We recommend that the Township review its budgeting timetable to ensure that a formal budget is adopted in accordance with the requirements of the State of Michigan.

Capital asset tracking

During our audit, we asked management to review the capital asset subsidiary ledger and notify us if any items listed had been disposed of or were no longer in use. We were informed that numerous items listed had been disposed of years ago and they were not sure when these dispositions had taken place.

We recommend that the Township update the subsidiary ledger when additions and disposals occur and take inventory of capital assets at least on an annual basis.

This communication is intended solely for the information and use of the governing board, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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